

**CITY OF GILBERT**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
JULY 1, 2014 THROUGH JUNE 30, 2015**

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**City of Gilbert**

**Officials**

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Jonathan Popp	Mayor	December 31, 2015
Shaon Anderson	Mayor Pro-Tem	December 31, 2015
Teri Gallahan	Council Member	December 31, 2018
Jamie Miller	Council Member	December 31, 2015
Katie Jerkins	Council Member	December 31, 2018
Frank Rydl	Council Member	December 31, 2015
Sonia Arellano Dodd	City Clerk	Indefinite



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Accountant's Report  
on Applying Agreed-Upon Procedures**

To the Honorable Mayor  
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Gilbert for the period July 1, 2014 through June 30, 2015. The City of Gilbert's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

8. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
9. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
10. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Gilbert, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Gilbert and other parties to whom the City of Gilbert may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Schnur & Company, LLP*

Ames, Iowa  
December 30, 2015

**Detailed Recommendations**

**CITY OF GILBERT**

**Detailed Recommendations  
For the period July 1, 2014 through June 30, 2015**

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- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

- (B) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories and maximum amounts of funds which may be maintained at that depository has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, the City should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (C) Petty Cash – The City maintains a minimal petty cash account that is not included in the monthly clerk's report, general ledger or annual financial report.

Recommendation – Petty cash is a cash account of the City and should be included in the City's financial records.

- (D) Bank Reconciliations – The cash balances in the City's general ledger were not reconciled to bank account balances throughout the year. For the two months reviewed, bank and book balances did not properly reconcile.

Recommendation – The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

**Detailed Recommendations (Continued)**  
**For the period July 1, 2014 through June 30, 2015**

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- (E) Annual Financial Report – The beginning and ending fund balances for the governmental and proprietary activities did not agree to the City's general ledger.

Recommendation – The City should ensure fund balances agree with the City's general ledger.

- (F) Payroll – We noted one employee's annual payroll exceeded the amount approved by the City Council by \$125.52.

Recommendation – The City should adopt procedures to review payroll and ensure employees are properly paid.

- (G) Financial Condition – The General Fund had a deficit balance as of June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to sound financial condition.